

Message Text

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70

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 FRB-03 COME-00 NIC-01 DRC-01 /151 W

----- 120382

R 191516Z AUG 74

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 4996

INFO US MISSION EC BRUSSELS 770

US MISSION OECD PARIS 2685

UNCLAS ATHENS 05836

E.O. 11652: N/A

TAGS: ECON, ETRD, GR

SUBJ: GREECE'S EMERGENCY ECONOMIC POLICIES

1. SUMMARY - PRIME MINISTER CARAMANLIS AND COORDINATION
MINISTER ZOLOTAS IN AUGUST 17 ADDRESS TO THE NATION
ISSUED THEIR OUTLINE OF ECONOMIC POLICIES TO DEAL WITH
GREECE'S PRESSING PROBLEMS OF INFLATION, DEFICIT BALANCE
OF PAYMENTS, BUDGETARY DEFICIT, AND GENERAL STAGNATION
RESULTING FROM RESTRICTIONS OF PREVIOUS GOVERNMENT AND
DISLOCATIONS OF MOBILIZATION TO MEET CYPRUS CRISIS.
CARAMANLIS CALLED ON GREEK PEOPLE TO SUPPORT CLEANSING
OF ECONOMY AS FIRST STEP ON ROAD TO SELF-SUFFICIENT AND
UNDISTURBED DEVELOPMENT. NOTING THAT ECONOMIC POLICIES
WERE GREATLY INFLUENCED BY CURRENT POLITICAL-MILITARY
SITUATION, HE ASSURED GREEK PEOPLE THAT NATIONAL ISSUES
WOULD BE DECISIVELY FACED AND ECONOMIC DEVELOPMENT ENCOURAGED
TO ACHIEVE STRENGTH AND PROSPERITY OF NATION.
IN NOTING THAT GOG AND BASIC ECONOMIC SECTORS WERE
MANNED BY MOST COMPETENT PERSONS, CARAMANLIS SAID GREECE
NOW ENJOYED TOTAL CONFIDENCE OF PEOPLE ABROAD AND WHOLE-HEARTED
SUPPORT OF GREEK PEOPLE. HE CONCLUDED: QUOTE

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I ASK FROM ALL OF YOU UNDERSTANDING, WORK AND ENTHUSIASM

SO THAT WE MAY BE ABLE TO QUICKLY OVERCOME THE NATIONAL CRISIS AND THE ENORMOUS DIFFICULTIES ACCUMULATED UPON US BY THE UNFORTUNATE PAST AND TO ESTABLISH THE PRE-REQUISITES OF A HEALTHY ECONOMY, WITH AN UNDISTURBED DEVELOPMENT AND REAL SOCIAL JUSTICE. UNQUOTE

2. BAISC TARGETS - PROFESSOR ZOLOTAS THEN STATED MAJOR GOAL WILL BE STIMULATION OF SOUND ECONOMIC ACTIVITY AND RESTORATION OF MONETARY STABILITY. HE SAID REINFORCEMENT OF GREECE'S FOREIGN EXCHANGE POSITION IS NOW BEING ACHIEVED. HE SAID STIMULATION OF ECONOMY WILL BE ACHIEVED BY

A. GRADUALLY FREEING FINANCING OF ECONOMY FROM SEVERE AND OFTEN ARBITRARY QUANTITATIVE RESTRICTIONS, WITH FUTURE REGULATIONS TO BE PRECISE AND SIMPLE RULES AIMED AT FOSTERING ENTREPRENEURIAL ACTIVITY AND PRODUCTION THROUGH
(1) REMOVING ALL RESTRICTIONS ON FINANCING OF INDUSTRIAL, HANDICRAFT AND EXPORT-ORIENTED ENTERPRISES;
(2) FREEING MEDIUM AND LONG-TERM LOANS BY AGRICULTURAL BANK; AND
(3) LIMITING ALL OTHER TYPES BANK CREDIT TO 12 PERCENT ABOVE LEVEL AT END OF 1973;

B. REFORMULATING PUBLIC INVESTMENT PROGRAM TO GIVE PRIORITY TO PROJECTS WHICH WILL IMMEDIATELY ADD TO PRODUCTION AND CAN BE QUICKLY COMPLETED;

C. STOPPING IRRATIONAL INTERVENTION WHILE OFFERING SOUND SUPPORT FOR AGRICULTURAL PRICES AND REALIGNING GREEK AGRICULTURAL PRICES WITH INTERNATIONAL PRICE LEVELS;

D. ABOLISHING SPECIAL TAX ON BUILDING PERMITS TO OVERCOME BUILDING RECESSION.

3. ANTI-INFLATION MEASURES - ZOLOTAS SAID INFLATIONARY PRESURES WILL BE RESTRAINED AND MONETARY STABILITY WILL BE RESTORED BY

A. CONTROLLING MONEY SUPPLY;

B. FOLLOWING PRICES AND INCOME POLICY FOUNDED ON PRODUCTIVITY AND FAIR DISTRIBUTION OF NATIONAL INCOME;

C. CUTTING REGULAR BUDGET EXPENDITURES BY \$83 MILLION;

D. COLLECTING SPECIAL ONE-TIME INCOME TAX ASSESSMENTS ON INDIVIDUALS WITH INCOMES OVER \$16,666 AND CORPORATIONS WITH EARNINGS OVER \$66,666 AT SLIDING RATES OF 10 TO 20 PERSENTS.

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THESE SPECIAL ASSESSMENTS WILL BE PAID IN SIX MONTHLY INSTALLMENTS FROM OCTOBER 1974 TO MARCH 1975 AND MAY LATER BE DEDUCTED FROM 1975 AND 1976 REGULAR INCOME TAX PAYMENTS.

4. BALANCE OF PAYMENTS - ZOLOTAS NOTED FOREIGN EXCHANGE POSITION OF COUNTRY IS NOT IN DANGER AND PAYMENTS PROBLEM WILL BE MET BY

A. PROMOTING EXPORTS,

B. ACCELERATING FOREIGN PRIVATE CAPITAL INFLOW UNDER
MUTUALLY PROFITABLE CONDITIONS, AND
C. REESTABLISHING RELATIONS WITH EEC BY REMOBILIZING
FINAL ASSOCIATION ARRANGEMENTS AND RECOVERING EUROPEAN
INVESTMENT BANK CAPITAL FUNDS AND ALSO ATTRACTING OTHER
FUNDS FROM EEC.

5. REMOVAL OF DISINCENTIVES - ZOLOTAS SAID MAJOR EFFORT
WILL BE MADE TO ABOLISH ECONOMIC DISINCENTIVES AND CONTROLS BY
A. FREEING PRICES,
B. REWCINDING AUTHORITY OF MARKET POLICE TO EXAMINE
ACCOUNTING RECORDS, AND
C. ABOLISHING 1967 PENAL SANCTIONS FOR TAX EVASION.

6. OTHER MEASURES - ZOLOTAS ALSO ANNOUNCED BANKS WOULD
REOPEN AUGUST 19 FOR NORMAL OPERATION; THAT GOVERNEMTN
PLANNED FOLLWOING CURRENT EMERGENCY TO INCREASE MINIMUM
WAGES, BASIC SALARIES, ALLOWANCES, AND PENSIONS, AND TO
REFORM TAX STRUCTURE TO BENEFIT LOW INCOME GROUPS. HE
SAID INSTITUTIONAL ARRANGEMENTS TO IMPLEMENT ECONOMIC
POLICIES WILL INCLUDE REOGRANIZED AND REVITALIZED
COMMITTEE OF ECONOMIC MINISTERS,
COMMITTEE FOR FOREIGN INVESTMENT,
COMMITTEE ON PRICES AND INCOMES,
COMMITTEE ON EEC, AND
CURRENCY COMMITTEE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, ECONOMIC STABILITY, ECONOMIC CONDITIONS, SPEECHES, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 19 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATHENS05836
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740228-0624
From: ATHENS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740838/aaaabgfn.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAY 2002 by reddocgw>; APPROVED <26 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GREECE'S EMERGENCY ECONOMIC POLICIES
TAGS: ECON, ETRD, GR, (CARAMANLIS), (ZOLOTAS)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005